

Market Analysis and Marketing Plan for the Business Plan: Tips and Discussion

Library Research Page:

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The Market Analysis Section

The Market Analysis section answers a few big questions that your audience of potential investors needs to know: who is your customer, how large is the market potential, what would they be willing to spend on your product, and why would they buy it? Some of these questions may overlap with other sections, but the idea is that the foundation for these answers is the market analysis. Make sure there is consistency with the rest of the plan. Find charts and graphs (cited properly), or make charts and graphs to represent your market. A narrative customer profile of your target customer or customers could be incorporated into the Market Analysis, or a Marketing section, for a full business plan, but these sections are sometimes combined. Make sure to answer the major questions:

Who is Your Customer?

This should offer a breakdown of the demographics and psychographics of your target population, it's size, ages, sex, income, ethnicity, and whatever else that you find out about your customer base. This could also describe spending patterns and time use. Again, whatever you can find you use. The **Library Research Page** has numerous resources for **demographics, economic and population statistics**. You have links to **Census data, time-use data, spending patterns, purchasing power**, and etc. Search **Lexus Nexus** for news articles about your industry and customers. Also, search **Google**. Search your **competitors' websites** for anything about their customers. Look for **Trade Journals** on **Business Source Complete**.

How Large is Your Potential Market?

This is answered by demographics, income/spending, mixed with an understanding of your competitors' shares of the market. This isn't easily answered, but it is something you need to try to answer through your research. Use **Google, Lexus Nexus...** second hand reporting may be more knowledgeable. You might also **call up the company** and ask them... call their investor relations department is there to take inquiries from potential investors. Look for **Trade Journals**, and **spending patterns**.

What Would they be Willing to Spend, and Why Would they Buy your Product?

This is typically answered through product testing using customers, customer surveys, and/or focus groups. We don't have this capacity, as a class. If your target customer is fellow university students, it makes sense that you could do an actual customer survey, or interviews, or a focus group (a conversation with 3-5 target customers). For our purposes, it is not expected that you will have complete validation of your customer's perception, but endeavor to substantiate your claims about your customer as best you can.

Consider the Psychographics of your Customer

Psychographic information is useful for defining the motivations of your customers, and for defining marketing goals and themes. Customers can be grouped by values, beliefs, buying patterns, perceptions, and lifestyle choices such as recycling, fitness, travel, and hobby interests. This information can be hard to gain as you must generally get it from the source (the customer), using surveys or focus groups. Sometimes you can find this kind of psychographic profiles from industry or trade groups, or from marketing firms trying to show off their skills. It's worth a search.

The Narrative Customer Profile

This could occur in the market analysis or the marketing section. A customer profile is a narrative discussion of your target customer that often has a picture of the person, followed by a paragraph discussing demographics and psychographics: "John Haner is a middle-aged narcissist who enjoys good food, travel, and products that improve comfort and efficiency. He is interested in our product because of its capacity to save him time, and he will make good use of the combination of scheduling, communications, mixed with an alarm clock. He will.... "

The Marketing Plan

Once details about the market demographics are revealed and target markets are identified, then a business plan needs to outline a strategy for appealing to the target markets. Some major questions to consider:

1. How will you advertise?
2. Where will you advertise?
3. How much money will you spend and on what?
4. What major themes will you target in your advertising to appeal to the market?

Considering How and Where

It is important to think comprehensively about how you will market and where. You want to consider traditional marketing outlets as well as non-traditional, viral, and social marketing efforts. In this plan you want to describe the differing techniques and explain where your priorities are with budget and time. If you were to target college students in California, for example, there would be several ways you could market, including on-campus events, school newspapers, school TV, viral videos, and etc.

Some common marketing approaches:

- Viral marketing
- Social media
- Traditional media
- Trade publications
- Industry conventions
- College campus activities

How Much Money will you Spend?

Since most investors know that marketing alone can make a business, you don't need to be shy about asking for a good deal of money. At the annual UCSB Business Plan Competition, the judges (who were venture capitalists) would often suggest that student marketing budgets should be tripled or quadrupled. Marketing can make a business. Although you always want to be reasonable, and base your calculations on facts (like how much TV ads actually cost), you want to describe your budget and justify your need.

What Major Themes will Appeal to the Psychographics of your Customer

In order to gain psychographic understanding in the real world, you would want to do surveys or focus groups of the target market to find out what would make them interested in your product. Since you may not have time to do real market research, you may need to make some assumptions based on your research on the demographics. Still, consider the value of conducting a small survey or focus group of potential customers.

This section should describe the key motivations you will use in your marketing that will appeal to the target audience. What motivates customers? What benefits do they appreciate and why? What will you focus on in your marketing?

Helpful Readings:

Reading on Customer Profiles: <http://www.entrepreneurship.org/en/resource-center/customer-profile.aspx>

The Magazine Wrack Test for Describing Customers:
<http://60secondmarketer.com/blog/2010/07/12/how-to-use-the-magazine-rack-test-to-get-a-psychographic-profile-of-your-customer/>

Sample Customer Surveys:
<http://www.questionpro.com/a/showLibrary.do?mode=1&categoryID=16>